

## IMPROVING RETENTION UNDER THE US ARMY'S CAPTAIN INCENTIVE PROGRAM

BY

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USAWC STRATEGY RESEARCH PROJECT

**IMPROVING RETENTION UNDER THE US ARMY'S CAPTAIN INCENTIVE  
PROGRAM**

by

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## **ABSTRACT**

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The Army is not only fighting the wars in Iraq and Afghanistan, but also a dogfight to retain one of its most precious resources, the mid-grade officers that possess tremendous operational experience. The Army implemented the Menu of Incentives Program (MOIP) in September 2007 to spur captains to remain in the service. The Army expected to retain 80% of the officers eligible for the incentives, but less than 68% signed up. The program failed to achieve the objectives because the MOIP execution instructions were not published until months after the Active Duty Service Obligation (ADSO) expired for many captains; it was a short-term solution to a long-term problem; and the Critical Skills Retention Bonus (CSRB) was not large enough to entice more officers to take this incentive. The Army could improve the MOIP by starting the next phase of the program before the majority of officers initiate the process to leave the service; by remodeling the CSRB so that it falls more in line with the bonuses offered in the other services; and by immediately contacting those officers that left the service before the MOIP began to ask them to come back to active duty.



## IMPROVING RETENTION UNDER THE US ARMY'S CAPTAIN INCENTIVE PROGRAM

My biggest concern for the Army is the decline in the number of captains, which could leave a crippling gap in the officer ranks. The captains are critical ...because the Army has invested about 10 years in their career development to get them to that level of leadership. If they leave, you lose a decade...similar [to] problems during the Vietnam era, when midlevel officers fled the service. <sup>1</sup>

—General George Casey  
Chief of Staff of the Army  
February 19, 2008

### Introduction/Background

The Army fell short of its goal of having 14,000 officers take one of the incentives to stay on active duty – missing the mark by over 2,100 captains.<sup>2</sup> This result has prompted Army leaders to re-look the incentives to see what can be improved so that the incentives work better.<sup>3</sup> Due to the immense importance of retaining experience in the Army, it is imperative for the Army to find the best strategy to accomplish its goal of keeping captains in the Army. This paper investigates why the Army did not meet its objectives concerning the Menu of Incentive Program (MOIP) and provides recommendations to help adjust the incentives in MOIP in order for it to be more successful in meeting the retention goal in the future.

Unlike Fortune 500 companies that can hire manpower from outside the organization to meet its needs, the military services only fill higher positions by promoting its members from within, so it is critically important that accurate projections be made for future requirements. Miscalculations can result in unforeseen challenges ten, fifteen or twenty years down the road. General George Casey, Chief of Staff of the Army, testified at the Senate Armed Services Committee-Airland subcommittee on April

25, 2007 that “some decisions that impacted the number of officers we accessed back in the '90s [affects the force now]...they [would have been] the majors of today.” <sup>4</sup>

Today's Army is facing its most daunting manpower challenge with sustaining the all-volunteer force because the current conflicts in Iraq and Afghanistan are the first prolonged wars since the military converted from a draft in the 1970s.

The demise of the Warsaw Pact in 1989 was the origin of the current challenge in retention. In the 1990s, the United States looked forward to reaping the benefits of the “peace dividend” after the Cold War ended. American and world optimism was upbeat that a new period of stability and prosperity would follow, so the nation began to downsize the armed forces. In FY89, the Army authorized strength was 770,000 soldiers; by FY00 it dropped to 480,000.<sup>5</sup>

Although the first Gulf War (Operation Desert Shield/Storm) temporarily slowed the momentum to reduce the forces, the Army continued with plans to shrink the conventional force. Programs such as the Voluntary Separation Incentive (VSI) and Separation Bonus Program (SSB) reduced the size of the military workforce while minimizing or avoiding more costly and disruptive reductions in force. VSI/SSB were temporary programs began in January 1992 and continued through October 1995 that allowed servicemembers to choose an annuity payment (VSI) or a lump-sum payment (SSB) to leave the service.<sup>6</sup> In layman's terms, the Army paid soldiers to leave the service.

The personnel requirements since the turn of the new millennium have been very different. The terrorist attacks on September 11, 2001 and the subsequent wars in Iraq and Afghanistan dramatically changed the needs of the Army. Personnel requirements,

especially for captains and majors, have increased significantly since 9/11. Due to the anticipated peace dividend, the Army did not access enough officers during the mid and late 1990s. If the Army could have accurately projected what it needed six to eight years before 9/11, then the VSI and SSB programs may not have been implemented.

The Army was short nearly 3,000 officers in FY07, with the most severe shortfalls in “senior” captains and majors with 11 to 17 years of experience. The fill rate for majors in FY07 was 82.6%, which the Army considers a “critical” shortage (defined as when the number of officers available to fill requirements is less than 85%). The Army forecasts the shortage increasing to more than 3,700 officers in FY08, and current estimates project that annual shortages in excess of 3,000 officers will persist through FY13 unless accessions (the number of new lieutenants brought to active duty annually) is increased and retention is improved.<sup>7</sup>

On September 13, 2007, the Army released details of the implementation of the FY 07/08 Officer Menu of Incentives Program (MOIP). The purpose of MOIP is to retain eligible captains on active duty for one to three years beyond the expiration of their initial active duty service obligation. MOIP aims to satisfy as many possible “motivations” for a young captain to stay in the Army for another tour. The payback period is a reasonable balance between officers getting a tangible benefit (such as a graduate degree or cash) and the Army maintaining the services of a trained Soldier that has leadership skills and exemplifies the Army values. Given that the wars in Afghanistan and Iraq have been in progress since 2001 and 2003, respectively, most captains today possess a great amount of operational wartime experience.

## A Brief Description of the Army's Menu of Incentives Program

The Army's Menu of Incentives are options that an eligible captain can choose from in exchange for continued service. Most options require a commitment of one to three years of additional service. Eligible captains can select from one of five options: receiving a Critical Skills Retention Bonus (CSRB), attending graduate school, choosing one's next duty location (post of choice), transferring to another branch or functional area, or attending a military school.<sup>8</sup>

The CSRB is the most tangible incentive, directly impacting a captain's bank account. Depending on his/her military occupational specialty (MOS), a captain could qualify for a bonus of \$25,000 to \$35,000 in exchange for a service commitment of three years. Most combat arms branches receive the \$35K bonus, while the other support branches receive a slightly lesser amount.<sup>9</sup>

The fully funded graduate school program option allows captains to attend an accredited graduate school of their choice. Officers are required to study in an approved discipline that enhances the competencies required in an expeditionary army -- emphasizing cultural awareness, regional knowledge, foreign language, governance, diplomacy, national security or social sciences that reinforce operational skills. The graduate school option has limitations on the cost of the tuition, and captains that choose this option must complete the course of study in 12 to 18 months. The service obligation under this option is three days for every one day of graduate school (normally three years).<sup>10</sup>

The post of choice option allows the captain to select their next duty station but only when there is a valid requirement for their military occupational specialty at that post.<sup>11</sup> For instance, a captain that is from the Colorado Springs area might want to be

stationed at Fort Carson, Colorado. If there is a requirement for his/her specialty at Fort Carson, then the Army and the captain can agree to a contract to send him/her there in exchange for three additional years of service.

The branch or functional area option allows the captain to transfer to a branch or functional area of their choice (excluding the aviation branch). The officer does not transfer into the new branch/functional area until their sixth year of service. Under this program, captains incur a three year active duty service obligation.<sup>12</sup>

Attendance at a military school has two available options: Ranger School or language training at the Defense Language Institute. In the case of language training, officers must meet the minimum Defense Language Aptitude Test (DLAT) scores to be eligible. Officers that opt for Ranger School incur a one year obligation, while those that select language training incur an obligation of three days for every one day of training.<sup>13</sup>

### Analysis of the MOIP

The MOIP aims to satisfy as many different motivations for an officer to choose to stay on active duty. Although most officers do not serve their country for the monetary rewards, the CSRB could be enticing because the officer could use it for what he/she desires. Officers could use the CSRB to finance big-ticket items like a car or use it as the down payment for a home. Other officers might be motivated to remain in the service for the opportunity to go to graduate school or a military school. Still other officers may view a transfer to a different branch or functional area as a way to gain job satisfaction in the Army. The benefits of moving to a specific geographical location may be the answer for other officers to stay in longer. Regardless of the motivation, the Army

believed it had created the stimuli that would put officers in action to agree to stay in the Army.

Another positive aspect of the MOIP is that the accompanying ADSO appears to be a good compromise for both the officer and the Army. The MOIP does not commit the officer to an extraordinary amount of extra time in the service – normally only one to three additional years. Yet it also allows the Army to fix immediate shortages in its intermediate ranks, and retain operational experience in its critical troop-leading formations. This is a win-win situation for both the Army and the Soldier.

The MOIP also puts the Army closer to the other services in terms of the number of officers eligible for the bonus. The Navy has incentive programs for most of the officers in the fleet. There are bonus programs to retain surface officers, submariners, and aviators to stay in the Navy.<sup>14</sup> The Air Force has incentives for its pilots. The Army, on the other hand, only had retention incentives for specialized groups, such as Special Operating Forces, aviators, and Explosive Ordnance Disposal (EOD) personnel.

On the negative side, the incentives of the MOIP are not necessarily equal in terms of value. Although the graduate school option was capped at \$40,000, the Army has to manage the amount of money each officer commits so that it does not exceed the allocated budget. Therefore most officers must attend graduate school at a university that costs much less (\$13,000 – 20,000)<sup>15</sup> unless they can get a higher cost university to agree to a lower tuition. Compared to the CSRB, the difference in value could be as much as \$22,000.

The other options are more difficult to quantify because they deal with human emotions (soft costs versus concrete expenses). How does one place a value on a

branch transfer or being sent to a certain geographical location? Quantifying these options is especially difficult because these incentives are available to officers regardless of whether they agreed to participate in the MOIP or not. Most Human Resources Command (HRC) assignment officers try to meet the desires of the officer (such as a specific duty station) as long as it also met the Army requirement. Additionally, officers understand that being sent to “Post Y” does not ensure that the officer will see “Post Y” for the entire time of the ADSO. As an Army at war with a rotation schedule of 15 months deployed and 12 months at home station, the officer could see his desired post of choice for less than 50% of the time he is assigned there. For these reasons, most officers would not greatly value the post of choice option (only 2% of the officers selected this option when the program closed).<sup>16</sup>

#### Why MOIP Failed to Achieve Its Desired Objectives

The first major shortcoming with the MOIP is the timing of the program, or when the implementing instructions were released to the eligible population. The vast majority of officers graduate from college and enter the U.S. Army in the summer months (May, June, July, and August). Once they enter active duty, the time clock starts for satisfying their active duty service obligations (ADSO). These officers normally have ADSOs that are four or five years; the actual length is dependent on where they graduate from, what branch they commission in, and any other special circumstances. For instance, most West Point graduates incur a five-year ADSO beginning in late May or early June, and most ROTC graduates incur a four-year ADSO starting around the same time as the West Point graduates. New aviation branch second lieutenants incur a six-year ADSO.<sup>17</sup>

These officers normally satisfy their ADSOs during the similar summer period, only four to six years in the future. Some officers may even leave the service two to three months before this timeframe if they depart under terminal leave conditions and/or permissive TDY. When the Army released MOIP in September 2007, many officers that the Army could have retained were already out the door.

On April 18, 2007, the Army G1 testified before the House Appropriations Committee (Defense) about the Menu of Incentives Program.<sup>18</sup> U.S. Army Human Resource Command Officer assignment officers believed that the program was pending release shortly after the Army G1's testimony; as early as April or as late as May 2007. However, as the months passed, the targeted population was left without a clear understanding of what was happening or when the Army was going to follow through with details of the incentives.

What the Army did was "shoot itself in the foot". One of the first rules of thumb officers learn when they enter the service is to be timely. Officers are taught that implementing the 80% solution *on time* is usually better than the 100% solution *late*. What is even worse is when you implement the 80% solution late. This appears to be the situation with the MOIP. Many of the officers that the Army could have targeted had already left the service by the time the Army released details of the program in September. Although the Army had a robust draft of the MOIP in May, it delayed releasing the details for five months until it could review the program again to ensure it was equitable for all captains.<sup>19</sup> In the end, an excellent opportunity was lost because officers that may have been "on the fence" about staying or leaving the service ended up departing the Army. Questions surfaced from affected officers about whether the

Army would actually implement the incentives. Human resource managers were equally frustrated because they were unable to provide any advice to the officers they served because they were unsure what the final outcome would be.<sup>20</sup>

A second reason why MOIP failed to achieve its objectives is that it was a short-term solution to a long-term problem. The Army tried to use the MOIP to solve the retention problem quickly that was created over the previous decade. During the 1990s, the Army under-accessed the number of officers it needed for today's missions and strategies. The MOIP was a 90-day plan that was an attempt to undue ten years of bad policy. By resorting to an overnight solution (when compared to the amount of time it took to create the problem), the Army placed a tremendous amount of pressure on officers to make a quick decision on what incentive to take (if any).

Since the Army advertised the MOIP as a temporary opportunity, it may have intimidated younger officers from entering the program. If an officer knew that the program was available in future years, then they could delay the decision closer to when their ADSO was due to be complete. For instance, a YG04 West Point graduate's ADSO expires around June 2009, but this officer was squeezed into making an immediate decision by December 2007. If the program were promoted as being longer term in nature, then younger graduates could make the decision in future years.

A third reason the MOIP did not achieve its objectives is that it falls significantly short in terms of cash. Although officers serve because of a sense of duty and other reasons, money is a driving motivation for this generation of officers.<sup>21</sup> Over 93% of the officers chose the CSRB, while only 185 officers (out of over 11,979) chose the

graduate school option.<sup>22</sup> Clearly, money was the most significant factor for these officers.

Since money is the foremost reason for determining what incentive to take, basic economic theory can be used to explain why the Army fell short of achieving its objective.<sup>23</sup> There is a supply (number of officers eligible to take the CSRB) and demand (the motivation to take the CSRB) relationship concerning the CSRB.

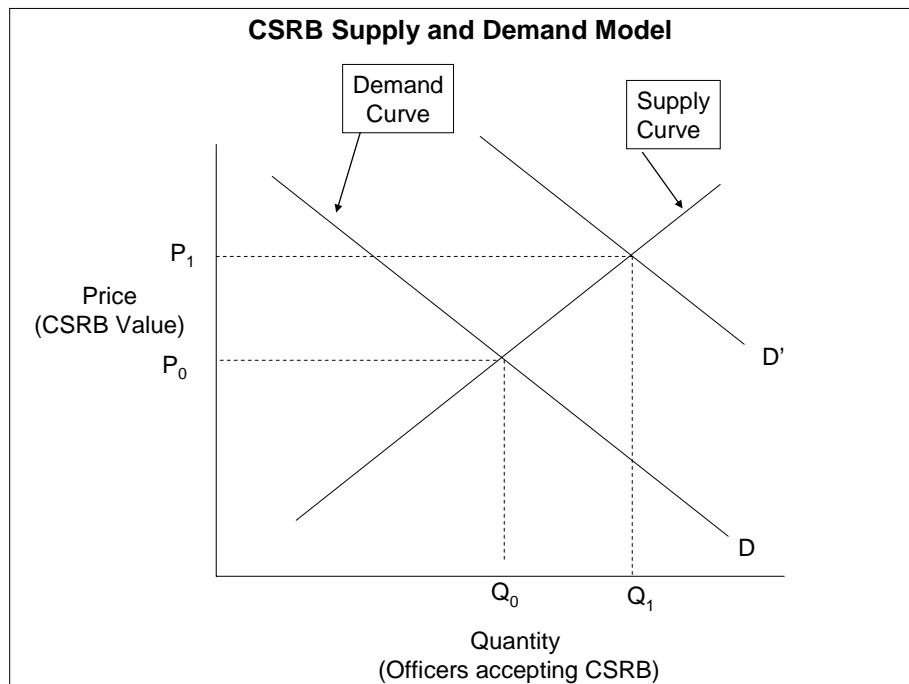


Figure 1:

Figure 1 illustrates the dynamics of how the value of the CSRB affects the number of officers that choose the CSRB. For a certain price ( $P_0$ ) or value of the CSRB,  $Q_0$  number of officers would accept the Army's incentive to stay in the service. Since the supply of officers does not change, the only way for the Army to increase the number of officers accepting the incentive is to increase the demand (to  $D'$ ). The Army can

increase the number of officers that take the bonus ( $Q_1$ ) by increasing the value of the CSRB ( $P_1$ ).

### Aviation Bonuses and Incentives

Retention incentives have been a part of our Army's compensation since the Army transformed to an all-volunteer force. Incentives entice both officer and enlisted soldiers to remain in the services. All of the services use retention incentives and some incentives are governed by legal statutes. Incentives are used to retain personnel that are in occupations especially ones that have high civilian demand, or in military occupations that are deemed too critical for the military institution to lose. In order to analyze properly the Army's captain retention program, it is helpful to review some of these current retention incentives.

There are three basic incentive structures to retain officers. One method of compensation is to award an upfront balloon payment for a fixed number of years. Under this construct, the officer agrees to a preset amount of money for a fixed amount of time (normally a three, four, or five year service obligation). A second method of compensation is to pay the officer in annual installments. Under this system, the officer is paid a preset amount in annual installments during the term of the contract. A final method of compensating officers for additional service is to pay a monthly bonus for the life of the agreement. Some bonus programs use a combination of the three methods; as an example, some officers receive a signing bonus (the balloon payment) and a monthly amount for staying on active duty.

The Aviation Career Incentive Act of 1974, Public Law 93-294, 88 Stat. 177 (1974), and subsequent amendatory legislation recognized the requirement to retain

fully qualified military aviators having a wide range of aviation skills and capabilities. This act was applicable to all military aviation personnel: Army, Navy, Air Force and Marines. Active duty commissioned officers on aviation duty are entitled to Aviation Career Incentive Pay. Aviation career incentive pay is restricted to regular and reserve officers who hold or are in training leading to, an aeronautical rating or designation and who remain in aviation service on a career basis. Although Congress legislates the actual payment amounts, each individual service's regulations and policies determine the eligibility and qualifications for these special aviation incentives.

The Aviation Career Continuation Pay (ACCP) also compensates aviators for their service. The ACCP further encourages qualified Pilots and Naval Flight Officers (NFO) to continue their aeronautical career path within the services. ACCP is for pilots who remain on active duty after the end of their initial active-duty service commitment. Annual amounts vary depending on each service's needs and the length of time the pilot agrees to serve. For 2006, the Navy, Air Force and Marine Corps could pay up to \$25,000 per year, while Army helicopter pilots could only be paid up to \$12,000 per year.<sup>24</sup>

ACIP and ACCP have been very successful regarding retention. The Air Force met and exceeded its pilot retention goals for 2006 and 2007.<sup>25</sup> The Air Force had been expecting that approximately 50% of its eligible pilots would sign up for the ACCP. According to Air Force statistics for FY07, over two-thirds of the 853 pilots eligible for the pilot bonus had agreed to spend another five years in the service. The pilots received \$25,000 per year for a total of \$125,000. The year before, almost 66% of the pilots agreed to the terms of the bonus program. This high retention rate could be

attributed to the bonus, but it is more likely only one dynamic that contributed to the increasing rate. Other factors are the weak economy; fragile employment opportunities for pilots in the civilian sector; and increased patriotism due to the September 11 attacks and the wars in Iraq and Afghanistan.

### Navy Incentive Pay

The US Navy mission places high stress on its members, including routinely requiring extended family separations in virtually every environment it operates. Because of this reality, the Navy has robust bonus programs to retain its personnel. It has bonus programs that for the sub-surface community, the surface community, and the Navy pilots (that are eligible for ACIP and ACCP).

The sub-surface or submarine community is eligible for Submarine Duty Incentive Pay (SUBPAY), which is similar to ACIP. SUBPAY is a monthly payment based on years of service and rank. The purpose of SUBPAY is to attract and retain submarine service personnel on a career basis.<sup>26</sup> All officer ranks are eligible for this incentive pay (Ensign to Admiral).

In addition to SUBPAY, selected officers are eligible for incentives in the nuclear propulsion field. The Nuclear Accessions Bonus, the Nuclear Career Accessions Bonus, and the Nuclear Officer Continuation Pay (COPAY) are a series of monetary bonuses to entice Navy personnel to enter and complete nuclear propulsion training, and then remain in the nuclear propulsion field. The Nuclear Accessions Bonus is currently a one-time payment of \$10,000 for entering nuclear propulsion training, and the Nuclear Career Accessions Bonus is a one-time payment of \$2,000 for completing nuclear propulsion training.<sup>27</sup>

Once an officer has completed their training, the Navy uses Nuclear Officer Continuation Pay to help maintain the officer in the nuclear power propulsion field once their service obligation is nearing completion. Like ACCP, COPAY is designed to provide incentives to nuclear-trained officers who have qualified as engineer officer of a nuclear-powered ship to remain in this field. Bonuses under COPAY are paid annually and the amount depends on the length of the agreement. Four or five year agreements pay the officer \$25,000 annually, while three-year agreements pay \$22,000.<sup>28</sup>

For those nuclear-trained officers that do not want to commit to three or more years in the nuclear propulsion field, the Navy pays these officers the Annual Incentive Bonus (AIB) after each completed year of service beyond their service obligation. The AIB currently pays \$12,500, so officers that choose this option are paid nearly \$10,000 less annually than if they were to agree to at least the minimum three-year contract.<sup>29</sup>

The Navy Surface Warfare community, like aviators, submariners, and nuclear-trained officers, has incentives to retain its personnel. Surface Warfare Officer Continuation Pay and Surface Warfare Officer Critical Skills Retention Bonuses are career incentives for officers remain in this demanding community. The Navy has cleverly designed a retention incentive for every rank in this community, from Lieutenants (O-3) to Captains (O-6).

Surface Warfare Officer Continuation Pay (SWOCP or “SWO bonus”) is equivalent to the ACCP and the nuclear COPAY described before, with a similar goal of improving officer retention to fully man the current and projected surface warfare officer department head billets. Those entering into the SWOCP program are obligated to

remain on active duty to complete one or more assignments as a department head afloat. The SWOCP bonus is \$50,000 paid in five installments.<sup>30</sup>

The Navy divides the Surface Warfare Officer Critical Skills Retention Bonus Program into three separate programs that target officers at different timelines in their Navy careers. The junior officer program pays eligible lieutenants \$25,000 to stay in the SWO community through their ninth year of commissioned service (YCS) and completion of two department head tours or the equivalent. The bonus is split into three installments and dispersed on the anniversary of the officer's 6th, 7th and 8th years of service.<sup>31</sup>

The Surface Warfare Officer Critical Skills Bonus (SWOCS bonus) is a mid-grade officer retention program only available to Lieutenant Commanders (LCDR) to remain on active duty in the Surface Warfare Community through their 15th year of commissioned service. Eligible officers are paid \$46,000 in three installments commencing two years after having been promoted to the rank of LCDR, with two additional annual payments thereafter. Those officers signing a multi-year contract receive an initial payment of \$22,000 followed by two payments of \$12,000. Not signing a multi-year contract instead results in three equal payments of \$12,000 each.<sup>32</sup>

The Senior Surface Warfare Officer Critical Skills Retention Bonus provides incentives to certain senior surface warfare officers. This program offers Commanders (CDR/O-5) and Captains (CAPT/O-6) serving in eligible billets up to \$20,000 per year. The Senior SWO Bonus is not available to those officers who have completed 25 years of active duty service or who will complete their 25th year prior to the end of a payment period.<sup>33</sup>

### Pre-commissioning Incentive Service Programs

The Army recognized that the issue of retention of officers should not only be attacked when officers are faced with a career decision to stay in or resign, but to also seek to get cadets in ROTC or West Point to commit to longer active duty service obligations before entering the Army. Rudy de Leon, Defense Undersecretary for Personnel and Readiness in 1999, stated that the key challenge is to get people to stay until the 10-to-12-year period so that they will remain for at least 20 years of service. Others believed that officers made the decision to stay in or resign at the 8-to-9 year mark.<sup>34</sup> More than likely the decision point varies for each individual officer but if the Army could retain officers at least until the 8-year mark (just short of the half-way point for becoming retirement eligible for a 20 year career), then the officers would probably remain in the service and make the Army a career. Therefore, the Army developed programs that would encourage cadets to commit to staying in the Army beyond the “typical” 4 or 5 years associated with the active duty service obligations from the ROTC and West Point commissioning sources respectively.

Prior to commissioning, cadets may request to participate in up to two of the Career Incentive Programs listed below in exchange for an additional 3-year Active Duty Service Obligation (ADSO). The options are similar to the Captain’s Menu of Incentives program:

- Branch for Service - Receive their branch of choice
- Post for Service - Receive their first assignment of choice
- Graduate School for Service - Attend full time, fully funded Graduate School Program

Based on the Order of Merit List (OML), cadets may be selected for up to 2 of the options.<sup>35</sup>

The FY07 results were very encouraging for the Army. Under the Branch for ADSO option, over 700 cadets (59% selection rate)<sup>36</sup> received their branch of choice for the additional ADSO. In this same fiscal year for the Post for Service option, 153 cadets were awarded their choice of assignment location in exchange for the 3 year ADSO.<sup>37</sup>

Finally, although the Army planned for no more than 300 cadets to receive the graduate school option, 314 cadets submitted requests for this option, with 310 cadets ultimately being promised to be sent to graduate school in exchange for the additional ADSO.<sup>38</sup> It should be noted that in addition to the ADSO incurred for the guarantee of attendance at graduate school, the officer also incurs an additional service obligation to the Army for going to school. In accordance with the U.S. Army Advanced Civil Schooling (ACS) regulations, this additional time is computed as 3 days ADSO for every 1 day in school.<sup>39</sup> The graduate school option is valued at up to \$225,000, and officers can enter programs at virtually any accredited school and study in a vast array of disciplines for up to 2 years.<sup>40</sup>

The graduate school option is especially appealing because the chances of attending Army fully funded graduate schooling if a cadet does not participate in this program are very low. Currently only 10% of eligible officers (412 positions for 4,500 officers) attend graduate school with the Army paying for it. Although the chances improve to 25% if cadets were to stay through Company Command, this is still much less of an opportunity than if they signed up for the graduate school option.<sup>41</sup>

Since the pre-commissioning incentive program is so similar to the Captain's Menu of Incentive program, it could be very helpful in predicting how well the captain's program performs. First, more cadets submitted applications for the graduate school program and the Army approved more slots than were originally planned. Based on the opportunities for fully funded graduate school, after entering the service, this option will entice many officers to stay in, especially when one considers the cost of graduate school.

Another positive impact of this program is the time away from the Army, or more precisely, the time away from the *operational* Army. Officers that choose this option are guaranteed at least one year at a civilian institution to focus on earning their degree. If the officer went to school after work or on-line, then they would still have to do their "day" job. This is especially tough if the officer is deployed to a combat zone such as Iraq or Afghanistan.

Although one may not be able to place a monetary value on the post of choice or branch of choice programs, they nonetheless are valuable tools for retention. Over twice as many cadets selected the branch of choice option over the graduate school option. Clearly, the job satisfaction entailed in doing an occupation that appeals to one's inner being cannot be underestimated. For a captain that has spent the past 4 years doing something that no longer appeals to them is a strong motivation to go do something different. This option allows the officer to have more than the choices of leaving the service in order to change jobs or waiting until the functional area designation board convenes. This functional area designation board does not normally consider officers until they have reached their 7<sup>th</sup> year of service. Officers will have to make the

commitment to stay in their present occupation until that board meets, and even if the officer chooses to wait until this board to request to change jobs, the board is not under any obligation to grant the request of the officer. The branch for ADSO is a great option for captains that did not like their jobs but would stay in the service to do something different or something that appeals to them.

Another factor of how well the MOIP will perform is the state of the U.S. economy. During strong economic times, there could be better opportunities for resigning officers that might sway their decision to leave the service. However, if the economy is not doing so well, such as during a recession, then the officers may feel the uncertainty of stepping out from under the security blanket gained through military service may be too great for them to leave.

### Recommendations

The current MOIP met less than 68% of its objective, so significant adjustments are necessary. The first recommendation is for the Army to give the officer an option for how the Critical Skills Retention Bonus (CSRB) is paid. The current policy is to pay an officer 25-35 thousand dollars at the beginning of the contract. A potentially better way is the method used by the Navy for bonuses paid to its surface warfare officers. The Navy targets officers at different timelines in their careers. The Army could pay the same amount that it currently pays the officers in a lump sum by spreading the payments over a three year period. As an incentive to take this option, the Army should also pay a monthly entitlement (perhaps \$200) to demonstrate to the officer that he/she is a valued member of the team. The additional cost would be minimal, but the number of officers taking this option should increase significantly.

The second recommendation is for the Army to adopt a different approach to the graduate school option. The graduate school option is very enticing, but there are potential risks for the officer associated with taking this option. For instance, an officer stationed at Fort Hood was selected for the Expanded Graduate School Program in FY06. When the unit redeployed from Iraq, he fully expected to be released to attend graduate school. However, his chain of command told him that since the unit would be deploying to Iraq in less than a year, he would not be released for graduate school.<sup>42</sup>

Measures need to be implemented that make it economically intolerable for the Army to break this contract. For instance, if the Army breaks faith with the officer (such as an operational requirement taking precedence that prevents the officer from attending graduate school), then the Army should have to pay a penalty of some (almost outrageous) amount. Further analysis needs to be done to refine this recommendation, but the spirit of the recommendation is designed to reassure the officer that graduate school will be a priority when the officer returns from his/her deployment.

A third recommendation relates to the release of the implementation guidance for the next program. The Army should put the details of the next MOIP “on the street” no later than the late winter or early spring. As stated before, the majority of Army officers will satisfy their service obligations in the late spring and early summer. By distributing details of the program in the first part of the calendar year, the Army can get ahead (or hopefully at least inside of) the decision cycle for most officers. The Army should view the retention program with a long-term lens and focus its efforts to refine the program so

that it is successful in future years. Only by taking a lasting approach to this long-term problem will the Army finally solve this very important retention crisis.

As a final recommendation, the Army should make personal contact with those captains that left the service in the past 12 months to ask them to return to active duty and offer them the MOIP as incentive. This will allow the Army to tap into a resource that may have felt “left out” from the incentives since they left the service before the MOIP was an official program. Additionally, these officers may feel that their batteries are recharged so that they are willing to soldier for another three years in the Army after their “sabbatical” in the civilian world.

### Conclusion

The Army is not only fighting the wars in Iraq and Afghanistan, but also a dogfight to retain one of its most precious resources, the mid-grade officers that possess tremendous operational experience. Although this issue can be traced to the drawdown of the 1990s, the Army has taken measures to correct the shortfall by increasing accessions and focusing on retaining captains. The Army implemented the Menu of Incentives Program in September 2007 to spur captains to remain in the service.

The Army expected to retain 80% of the officers eligible for the incentives, but less than 68% signed up. The program failed to achieve the objectives for several reasons. First, the timing of the implementation guidance was late. Most officers leave the service in the April- July timeframe, but the MOIP execution instructions were not published until September. The Army lost a key opportunity to retain several officers that left after their Active Duty Service Obligation (ADSO) was satisfied.

The MOIP was a short-term solution to a long-term problem. It takes almost 10 years to “grow” a second lieutenant to the rank of major, so the issues with not having enough mid-grade officers cannot be corrected overnight. The Army advertised the MOIP as a temporary program, requiring officers to sign a MOIP contract during a 90-day period in the fall. If the Army had a long-term outlook for this program, then they could have reduced the pressure on officers to make a hasty decision.

Finally, the most common option chosen by the captains was the CSRB. This monetary bonus did not have enough “bite” to entice more officers to take this incentive. If the Army had implemented a higher bonus amount, then more officers would have chosen to stay in the service.

The Army could make several improvements to the MOIP so that it better meets its goals in the future. The Army should begin by starting the next phase of the program before the majority of officers initiate the process to leave the service. If the guidance is published in the spring, then officers will be able to weigh their Army situation against potential civilian positions. The Army could also remodel the CSRB so that it falls more in line with the bonuses offered in the other services. Rather than one bonus at the beginning of the service period, the Army could pay the bonus in annual installments with a monthly continuation pay. In addition, the Army should consider increasing the bonus amount. Finally, the Army should immediately contact those officers that left the service before the MOIP began to ask them to come back to active duty in exchange for one of the MOIP options. By making these changes, the Army should move closer to meeting its captain retention aims.

## Endnotes

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<sup>4</sup> George Casey, U.S. Congress, Senate, Committee on Armed Services, Subcommittee on Airland, *Army Preparedness for Current and Future Missions*, First Sess., 110th Cong., 25 April, 2007 quoted in "Officer Retention Fact Sheet" 25 May 2007, Army G1.

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<sup>6</sup> Beth J. Asch and John T. Warner, *An Examination of the Effects of Voluntary Separation Incentives*, A RAND Monograph Report (Santa Monica: RAND, 2001), ix.

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<sup>9</sup> Ibid., 3.

<sup>10</sup> Ibid., 4-5.

<sup>11</sup> Ibid., 7-8.

<sup>12</sup> Ibid., 7.

<sup>13</sup> Ibid., 5-6.

<sup>14</sup> William N. Filip, *Improving the Navy's Officer Bonus Program Effectiveness* (Monterey: Naval Postgraduate School, 2006), 13.

<sup>15</sup> U.S. Human Resources Command, Officer Personnel Management Directorate, "Advanced Civil Schooling FY08 SOP," available from <https://www.hrc.army.mil/site/protect/active/opfamacs/ACS14.htm>; Internet; accessed 3 March 08.

<sup>16</sup> Knighton, Slide 2.

<sup>17</sup> U.S. Department of the Army, *Officer Active Duty Service Obligations*, Army Regulation 350-100 (Washington, D.C.: U.S. Department of the Army, 8 August 2007), 2.

<sup>18</sup> Michael Rochelle, "Statement by LTG Michael D. Rochelle, Deputy Chief of Staff, G-1, United States Army, before House Appropriations Committee – Defense, House of Representatives, First Sess., 110th Cong., 18 April 2007, available from [www.armyg1.army.mil/docs/leaders/Statement%20before%20HAC-D%2018Apr07.pdf](http://www.armyg1.army.mil/docs/leaders/Statement%20before%20HAC-D%2018Apr07.pdf); Internet; accessed 4 March 2008.

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<sup>20</sup> Samuel T. Piper III, Personal observations as the ADA and Effects Branch Chief, U.S. Army Human Resources Command, August 2005 – July 2007.

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<sup>22</sup> Knighton, slide 2.

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<sup>24</sup> *Congressional Budget Office Home Page*, available from <http://www.cbo.gov/ftpdoc.cfm?index=8271&type=0&sequence=4>; Internet; accessed 11 March 2008.

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<sup>28</sup> Ibid.

<sup>29</sup> Ibid., 17.

<sup>30</sup> Ibid., 18.

<sup>31</sup> Ibid.

<sup>32</sup> Ibid., 19.

<sup>33</sup> Ibid.

<sup>34</sup> Stephanie C. Payne, Ann H. Huffman, and Trueman R. Tremble, Jr., *The Influence of Organizational Commitment on Officer Retention: A 12-Year Study of U.S. Army Officers*: IBM Endowment for the Business of Government Human Capital Series (Arlington: IBM Endowment for the Business of Government, 2002), 20.

<sup>35</sup> Edward Pitts and Adam Albrich, "Accessions (Selection, Branching, ADSO)," briefing slides with scripted commentary, New PMS Accessions Conference LDAC, July 2007, slide 14.

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<sup>38</sup> Ibid.

<sup>39</sup> U.S. Army Human Resources Command Advanced Civil Schooling FY08 SOP, 15.

<sup>40</sup> Ibid.

<sup>41</sup> Ibid.

<sup>42</sup> Piper.

